

Update on MCPS Operating Budget

Superintendent Joshua P. Starr released his proposed Operating Budget on December 7th. Provided below is an overview of 1) the Proposed Operating Budget; 2) the Operating Budget Process; 3) County Funding Issues and 4) State Funding Issues. The Board of Education will vote on the Operating Budget on February 14. We encourage MCCPTA Area Vice-Presidents, Cluster Coordinators and others to meet with your District and At-Large Councilmembers, in addition to attending public forums, to support funding for our schools. We will post an early round of talking points in support of these efforts. Click on [Advocacy Opportunities](#) for a list of opportunities to advocate at the County and State level in support of education funding.

[View the budget in its entirety.](#) Each PTA will also receive a hardcopy via pony mail to their school. Please share this update with your local school community.

The Superintendent's Proposed FY 2013 Operating Budget

The \$2.13 billion budget request represents a 2% (\$41 million) increase over last year's budget, and is the lowest requested increase in more than a decade. The budget meets the state's "Maintenance of Effort" (MOE) law, which imposes a penalty if a county fails to fund education at the same per pupil level as the year before (taking into account increases in enrollment). This proposed budget assumes the same level of local per pupil funding as last year. It also assumes the County will be responsible for the \$26 million state penalty - should it ultimately be imposed - stemming from the County's failure to meet MOE last year and its unilateral decision to withdraw its request for a waiver. This action enabled the County to lower significantly its per pupil funding obligation.

The proposed budget protects the classroom, with no reduction to school-based staff. The majority of the \$41.4 million increase falls into four areas: enrollment growth of 1.7 percent; employee benefit and insurance costs; inflation, materials, and other expenses; and employee salaries and compensation. While the budget does not contain any new initiatives, it underscores the Superintendent's intent to optimize funding for professional development, intervention for underachieving students, and community engagement. It also includes \$170,000 for the first of a three-year phase in for hours-based staffing for special education services in the seven middle schools that do not have it (31 of the 38 currently do).

The budget includes central office reductions and efficiencies of

approximately \$5.34 million, as well as \$2.89 million in school-based reductions and efficiencies. These reductions are on top of steep reductions made over the last four years. Since FY 2009, the school system has reduced spending by \$430 million, increased class size by one student, and eliminated more than 1,300 positions, including staff development teachers, guidance counselors, reading specialists, media assistants, and music teachers - just to name a few. The central office budget has been cut more than 20 percent.

These cuts have come at a time of extraordinary challenge for our schools. Over recent years, MCPS has had unprecedented enrollment growth (9,000 more students in the last six years and 9,000 more projected by 2017) and significant increases in students living at, or near poverty level, and students needing language services. The combination of cuts and heightened needs is not sustainable. Going forward, our challenge as a County is to provide the additional resources needed to continue to make progress toward ensuring that student outcomes are not predictable by race, ethnicity or socio-economic factors, and to provide a challenging, 21st century education to each and every child.

MCCPTA supports the Superintendent's proposed budget and will ask the Board of Education to do the same. We will urge the County Executive and County Council to fully fund this MOE budget, which - in the face of many challenges - holds local per pupil funding at the reduced level set by the County Council earlier this year. Next year, we hope to move beyond the funding low watermark so MCPS can continue to fulfill the goal of improving the quality of education every day, for every child.

The Budget Process

The Board of Education will hold hearings on the Superintendent's proposed Operating Budget on January 11th and January 18th. Cluster Coordinators will testify at the hearings, along with individuals who sign up to testify (individual sign up begins December 19). The MCCPTA Workshop on Operating Budget Testimony will be held on Thursday, January 5th from 5:30-7:30pm at Carver. We encourage cluster coordinators to testify with a strong and unified voice in support of the [MCCPTA Operating Budget Priorities for FY 2013](#), approved by the Delegates in October, and in support of the proposed budget, while also addressing concerns of their local schools.

At the state level, the Governor will introduce his budget by January 20th. The legislative session in Annapolis will run from January 11th to April 9th, with a vote on the budget bill on, or before April 2nd.

The Board of Education will hold work sessions on the budget in late January, and approve its proposed Operating Budget on February 14th. The Board will submit its budget to the County Executive on March 1st. The County Executive will submit his proposed budget to the County Council on March 15th. The County Council will hold hearings on the Operating Budget starting in late March or April, and will hold a final vote on the budget by May 24th.

After the final State and County budget votes, the Board of Education will vote on the final MCPS Operating Budget on June 14th.

County Funding Issues

The vast majority of funding for our schools comes from our county government (also referred to as the local contribution). The funding breakout for the current fiscal year (FY2012) is as follows: County - \$1.37 billion; State - \$560 million; Federal - \$70 million; enterprise funds - \$55 million; and other funding sources - \$10 million.

While the County contributes the most, the amount of the local contribution has been on the decline. In terms of actual dollars, the local contribution of \$1.37 billion is at the lowest level since 2006. Since just 2009, the local per pupil contribution has fallen by 9.5%, down from \$11,249 to \$9,759 per pupil. The total per pupil funding (county, state and other) has dropped less dramatically from \$14,127 to \$13,607 (3.6% drop) because of increases in state aid.

The County's decision earlier this year to withdraw its request for a waiver for its failure to meet MOE for FY2012 enabled the County to "re-base" -- setting \$9,759 as the new, reduced per pupil floor for local contribution, and in turn, reducing the total required to meet MOE for FY 2013 by \$70 million. This \$70 million reduction is "built in" to the Superintendent's proposed budget, which seeks local funding at the reduced per pupil level set by our County Council earlier this year.

Approximately \$23 million of the \$41 million increase in the FY 2013 budget would come from the County to account for increased enrollment at this reduced per pupil level. MCPS anticipates receiving the balance of the increase from a projected increase in state aid for FY 2013.

The December 9th update on the County Fiscal Plan assumes that the amount available to allocate to agencies for FY 2013 will be 1% less than in FY 2012. This is an improvement over the June forecast, which

projected a 2.7% reduction. This improvement is largely due to higher than projected income tax returns. Property taxes, for which an update is due out by January, could potentially offset some of this increase. The budget forecast assumes: sunset of the fuel energy tax increase (which would reduce revenues by approximately \$113 million); rebuilding County reserves at, or above policy level; Retiree-Health Insurance pre-funding (OPEB) at the scheduled FY 2013 level; and PAYGO, Debt Service and Current Revenue at the level of the amended FY 11-16 CIP. The forecast does not assume any salary increases, pending completion of collective bargaining. There will be another County fiscal update in mid March.

The County's bond rating also remains a concern. Moody's Investors Services has placed a number of state and local governments that have strong links to federal employment and procurement on "negative outlook." Maryland and Montgomery County, along with other jurisdictions, could be affected by the automatic sequester scheduled to start in January 2013. The possibility of 1) further changes to MOE and 2) a shift of teacher pension funding responsibility from the State to the counties (discussed below) are also concerns for the year ahead.

Council redistricting will take effect in, or around late February. According to the Council, 22% of residents will be in a different Council district. Please check to see if your District has changed (http://www.montgomerycountymd.gov/cs/templ.asp?url=/content/council/redistricting/Commission_Recommended_Maps/index.asp). Also, please check your Councilmember's and At-Large members' websites for public forums that you can, in turn, share with your local schools.

State Funding Issues

The State is projecting a budget shortfall of over \$1 billion for FY 2013. Given the cuts made in recent years, closing that gap will be difficult. The Governor is considering revenue measures, as well as reductions.

Primary concerns at the State level include: MOE, the possible shift from state to counties of the responsibility to fund teacher pensions, and full funding of the Bridge to Excellence in Public Schools Act of 2002 (BTE), including full funding for the Geographic Cost of Education Index (GCEI) (GCEI has been fully funded for the last two years, but is not currently mandated), and reinstatement of the annual inflation factor. Our understanding is that if the Governor's budget, due out in January, does not include any shift of teacher pension funding and fully funds BTE, the odds are appreciably higher that these will pan out favorably.

With respect to MOE, a change made to the law last year allows counties to fund only the county's local share of Foundation Aid - an amount *dramatically lower than* historical levels of per pupil funding. For example, Montgomery County's share of Foundation Aid is \$660,050, whereas its total per pupil funding was \$1.37 billion for FY 2012. While there is no indication that Montgomery County would ever reduce its funding to such a low level, the shift in the law is nonetheless troubling. The law does still impose a penalty if a county fails to fund at the same per pupil level as the year before (or higher). So, as the law is now written, a county can choose to spend less per pupil than in the prior year and accept the penalty - the amount of increased state aid the county would otherwise receive - so long as the county is still funding at, or above the foundation aid level. This is what Montgomery County chose to do last year.

Equally problematic is the May 2011 Maryland State Board of Education decision that counties are not required to apply for a waiver if they are unable to fund at the prior year's level. As a result, counties are free to reset the funding floor from year to year, should they so choose. Following this ruling, six counties - including Montgomery County - withdrew their waiver requests and reduced their funding floors.

Further legislative changes are in the offing for the year ahead. Chief among the concerns of the education community are: accountability (making MOE the local funding floor with a mandated waiver process); flexibility (improving the waiver process, including taking into account local history of exceeding MOE); fairness (applying any penalty to the county, not the schools); predictability (for school budget planning and employee negotiations); and transparency (requiring counties to explain why they are unable to meet MOE). MCCPTA addresses several of these concerns in the context of its [Legislative Platform](#).

Please watch for further information from the MCCPTA Legislative Committee and plan to attend the [Forum on Funding for our Schools](#), on **Wednesday, January 4th, at 7:30pm at Carver, 850 Hungerford Drive in Rockville**, to hear directly from our elected State and County leaders about these important MOE issues. Also, please click on [Advocacy Opportunities](#) and join the advocacy effort at the state and/or county level – together, we can be a strong, positive voice for funding for our schools!

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